TD/B/45/2
TD/B/COM.1/15

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Report of the Commission on Trade in Goods and Services, and Commodities on its second session

held at the Palais des Nations, Geneva,
from 17 to 21 November 1997

UNITED NATIONS

Distr.
GENERAL

TD/B/45/2
TD/B/COM.1/15
9 December 1997

Original: ENGLISH

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INTRODUCTION

1. The second session of the Commission on Trade in Goods and Services, and Commodities was held at the Palais des Nations, Geneva, from 17 to 21 November 1997. In the course of the session, the Commission held two plenary meetings (6th to 7th meetings) and a number of informal meetings.

Opening statements

2. The **Chairperson of the Commission at its first session** congratulated the Chairperson of the second session of the Commission on his election, and thanked all delegations and the UNCTAD secretariat for their support during the first session. The second session of the Commission could benefit from the work carried out during the first session, as well as from the results of the four Expert Meetings. Their reports should be analysed very carefully and could help the Commission in its main task, namely assisting member States in the formulation of their policies. He hoped that the topics for the Expert Meetings in 1998 would be interesting and constitute integral parts of the third session. The second session of the Commission should help to identify the role that UNCTAD's Commissions had to play and could play, especially with regard to the 1998 Mid-Term Review.

3. The **Chairperson** said that globalization and liberalization in the international economy were being pursued on two parallel tracks. On the one hand, States were intensifying efforts to set rules for economic activities. On the other hand, the private sector - and transnational corporations in particular - had established their own standards regarding trade, investment and transfer of technology. More often than not, there was no interaction between these two parallel processes. The problem was compounded by the often prolonged trade negotiations among States, with the result that any consensus reached was mostly irrelevant. Furthermore, standard-setting by the private sector rarely considered the social implications. This process was further complicated by different economic interests among States, often those within the same development category, such as the G-7. The same applied to international organizations, and UNCTAD was to be commended for striving to draw attention to the social dimension of trade liberalization. In this light and with a view to improving coherence and coordination among the various tracks of rule-setting for global economic activities, better lines of communication and understanding had to be created and utilized among the parties involved. UNCTAD and its Commissions could play a crucial role in this respect, being the most universal forum for an integrated approach to trade and development issues. The private sector's involvement in UNCTAD intergovernmental deliberations had started and should be strengthened.

4. The **Deputy Secretary-General of UNCTAD** welcomed participants to the second session of the Commission. He recalled that since the mid-1980s, international trade had been growing at a brisk pace, as a result of globalization, the deepening of the international division of labour and the concomitant emergence of increasingly internationalized production patterns. Developing countries as a group had significantly increased their participation in international trade flows since the 1980s, both as exporters and importers. Moreover, trade among developing countries had almost quadrupled between the mid-1980s and the mid-1990s. A worrying feature of the situation, however, was the fact that the increased participation of developing countries in trade and investment flows had tended to be

concentrated in certain countries and regions, raising the alarming prospect of marginalization of those countries that were structurally less able to share in the growth of investment and trade. They lacked basic infrastructure, both physical and human, and were beleaguered by lingering foreign debt problems.

5. Improvements in market access were a crucial component of international strategies aimed at making trade a lever for development. The ongoing liberalization had enhanced opportunities in international trade. However, in some sectors and products - notably those of special interest to developing countries - high tariff peaks still prevailed, while remaining tariff escalation in commodity-based trade introduced a bias against diversification and processing. Elsewhere, non-tariff measures continued to frustrate trade expansion. In addition, the preference margins which had hitherto been enjoyed by many developing countries were being eroded, and attention needed to be devoted to this problem.

6. The international trading scene was characterized by a process of continuous trade negotiations at the multilateral, regional and subregional levels, as well as by the rapid expansion of trade flows. In both trade in goods and trade in services, several new initiatives to change the multilateral framework were being pursued, be it in the context of the "built-in agenda" of the WTO or negotiations which were not foreseen in it. Thus, it was likely that the international trade agenda would continue to become more loaded and complex. For developing countries, this posed difficult challenges. At the same time as they were striving to tap the trading opportunities of the new context and adapt their institutions to the commitments made, they had to formulate their positive agenda for ongoing and future trade negotiations. This should take into consideration the issue of the asymmetries between countries at different levels of development. The multilateral trading regime had to be flexible enough to accommodate the need for differential treatment of different actors.

Chapter I

DIVERSIFICATION IN COMMODITY-DEPENDENT COUNTRIES

(Agenda item 3)

WAYS AND MEANS FOR IMPROVING THE OPPORTUNITIES FOR THE EXPANSION OF EXPORTS OF GOODS AND SERVICES FROM DEVELOPING COUNTRIES

(Agenda item 4)

7. For its consideration of agenda item 3, the Commission had before it the following documentation:

"Diversification in commodity-dependent countries: The role of Governments, enterprises and institutions - Report by the UNCTAD secretariat" (TD/B/COM.1/12)

"Report of the Expert Meeting on Vertical Diversification in the Food Processing Sector in Developing Countries" (TD/B/COM.1/8-TD/B/COM.1/EM.2/3)

8. For its consideration of agenda item 4, the Commission had before it the following documentation:

"Ways and means for improving the opportunities for the expansion of exports of goods and services from developing countries: Report by the UNCTAD secretariat" (TD/B/COM.1/13)

"Report of the Expert Meeting on Strengthening the Capacity and Expanding Exports of Developing Countries in the Services Sector: Health Services" (TD/B/COM.1/7-TD/B/COM.1/EM.1/3)

9. The **Senior Programme Manager of the Division on International Trade in Goods and Services, and Commodities** said that globalization had opened up new opportunities for worldwide prosperity. From a development perspective, the challenges were to speed up the integration of developing countries into the world economy and to enable them to take advantage of new trading opportunities. He emphasized that diversification was a major challenge for commodity-dependent countries. Also, he noted that there were sectors in which developing countries had recorded dynamic export performances. The analysis of selected dynamic sectors could serve to increase knowledge of obstacles to export expansion on both the market access and supply sides, and to identify remedial policy responses. In the post-Uruguay Round environment, developing countries had to rethink their policies in order to cope with new multilateral conditions.

10. The speaker stressed the importance of international trade in services for a great number of developing countries. The examination of the health services sector by the UNCTAD Expert Meeting held in June 1997 pointed to many challenges and opportunities for developing economies. Moreover, the Internet provided new opportunities for the expansion of trade in goods and services.

He also noted that uncertainty cast a shadow over the future of traditional preferential trade arrangements. At the same time, however, trade preferences for LDCs had been strengthened in many instances.

11. In conclusion, he said that trade negotiations were a formidable challenge for many developing countries, and that support for those countries was necessary in this regard.

12. The spokesman for the **Latin American and Caribbean Group** (Peru) said that the Group agreed with the evaluation contained in the document that the UNCTAD secretariat had prepared on agenda item 3. He referred to its final part - "A proactive agenda for diversification" - and endorsed the possibility of applying it to one country in each of the developing regions. Moreover, some of its elements should be incorporated into technical cooperation activities. Regarding the Common Fund for Commodities, he expressed the Group's disappointment at the withdrawal of one important European country.

13. Turning to agenda item 4, he expressed the Group's concern regarding the persistence of market access barriers such as tariff peaks and escalation, and of non-tariff barriers, which jeopardized the market access of increasingly competitive developing countries. The impact of the new multilateral framework on industrial development strategies should be examined, particularly in the light of the revision of the WTO's Agreement on Subsidies and Countervailing Measures. Regarding the Agreement on Textiles and Clothing, the programme of integration did not have significance in terms of trade, since the commercial value of already integrated products was very low. Moreover, safeguard measures should be used sparingly. He added that the process of analysis in the WTO of the Agreement on Agriculture was satisfactory. However, it was important that the negotiations that would start in 1999 take into account special and differential treatment for developing countries, greater market access for them, and the implementation of the Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed and on Net Food-Importing Countries.

14. Referring to sectors for possible further analysis, he stated that the fisheries and wooden furniture sectors were of particular interest to the Latin American and Caribbean region. Its exporters were facing market access problems as a result of the action of lobbies and of NGOs. As for services, developing countries would put tourism, air and maritime transportation and software services on the agenda of coming negotiations. The modalities of application of Article IV of the General Agreement on Trade in Services had also to be examined. Moreover, an agreement on safeguards in services was necessary. Another issue in trade in services related to electronic commerce. In order to fulfil their trade expansion potential, developing countries needed access to information infrastructure. UNCTAD should deal with this question, including in its technical assistance activities. Moreover, it should undertake a study of the link between electronic trade and intellectual property in collaboration with the World Intellectual Property Organization.

15. The representative of the **United States of America** suggested an amendment to the agenda, so that the informal meeting could start right away, without the Commission listening to the official statements made by representatives of member States or negotiation groups. He said that many of the issues raised in the formal statements had already been raised at the session of the Trade and Development Board held last October. His amendment

would allow the Commission to have sufficient time for in-depth discussions on the issues set out in the timetable of the Commission's session.

16. The **Chairperson** took note of the amendment proposed by the representative of the United States of America, but said that some participants from the national capitals had not had an opportunity to be present at the session of the Trade and Development Board.

17. The representative of the **United States of America** said that at the information session held a week before the Commission's meeting there had been no discussion on how official statements would be treated at the present plenary meeting. Had there had been a discussion, he could have raised the possibility of establishing a timetable that would have allowed the Commission to move directly into informal meetings after the opening plenary.

18. He commented on three issues that had been raised by the Senior Programme Manager of the Division on International Trade in Goods and Services, and Commodities in his opening statement. First, with regard to the post-Uruguay Round peak tariffs and tariff escalations in respect of products of interest to developing countries, he said that the 40 commodity-dependent developing countries themselves could have made much greater efforts for liberalization during the Uruguay Round negotiations. He suggested that in a setting such as that of multilateral trade negotiations, it would be important that they indicate their willingness to make concessions in exchange for greater market liberalization in other countries. Second, he asked how the secretariat had come to the conclusion that "shock therapy" should be resisted. He said that many developing countries would need to speed up, rather than slow down, their efforts to achieve further liberalization and globalization, noting that there had been several cases which had suggested that shock remedies were often beneficial. Third, he said that the list of possible subjects to be taken up by future expert group meetings, which had been provided by the secretariat, was rather disappointing. The subjects needed to be more creative, fresh and focused.

19. The spokesman for the **Asian Group and China** (Sri Lanka) said that diversification in commodity-dependent developing countries was a key factor in development and could not be made dependent on improved commodity prices. Four points were relevant. First, diversification was not an automatic outcome but an essential aspect of economic development. Second, diversification efforts by developing countries would not succeed unless they were accompanied by support from developed countries, international financial institutions and relevant organizations. Third, viable diversification necessitated an improvement in market access conditions. Fourth, technical assistance was needed to facilitate diversification, but it should not be a substitute for more favourable market access conditions, external capital and technology.

20. Some countries in Asia had shown that the commodity sector could be a basis for the diversification and structural transformation of the economy. Their experience suggested a judicious mix of government support to the commodity sector, coupled with active entrepreneurial involvement through joint ventures. It showed that appropriate trade and industrial policies were needed in order to remove some of the supply-side constraints. However, possible development policy choices might be limited by new multilateral disciplines, and this was a matter of concern to developing countries. Commodity dependence was a continuing problem in many developing countries,

and for them diversification was needed so as to reduce the risk of marginalization in the world economy. In this respect, new forms of international support, including new technologies for trade via electronic means, were required in order to deal with the movement away from international support for many commodity development support measures. Also, the pattern of relatively high and escalating tariffs on processed commodities in developed countries acted as a significant barrier to diversification. Future multilateral liberalization efforts should address and remove tariff barriers in sectors of particular export interest to developing countries. Market access issues should be viewed in the wider context of development. In this connection, it was also necessary to further analyse and study ways and means to enhance the utilization of existing trade preferences such as the Generalized System of Preferences, and ways of improving trade preferences and rules of origin, not least because of the trend towards greater reciprocity and graduation of countries receiving trade preferences and because of the proliferation of regional trading arrangements.

21. Economic liberalization had heightened competition, which could be addressed by developing countries *inter alia* through access to adequate information, finance and risk management. Also, building efficient production capabilities required international cooperation in order to significantly increase the flow of concessional resources to developing countries, reduce the debt burden, expand research and development and technological cooperation, and facilitate remunerative returns and prices for developing country exports.

22. Finally, the service sector had considerable potential for developing countries. However, present market access barriers should be addressed, including those limiting the movement of natural persons, which could be an important mode of supply in export transactions for developing countries. At the same time, the liberalization of the services sector in developing countries was complex and required a cautious and progressive approach allowing countries to liberalize in accordance with their capacity and stage of development.

23. The spokesman for the **African Group** (South Africa) stated, in respect of diversification, that over 75 per cent of the workforce in Africa was engaged in commodity production and trade. At the same time Africa's commodity exports remained stagnant and their real value had fallen by 50 per cent. The erosion of the market share of weaker commodity exporters in world markets was a source of concern. It showed that domestic policy reform was a necessary condition for successful commodity diversification, but it had to be accompanied by a supportive international environment. However, conflicts could arise from differing policy objectives, for example between enhancing efficiency and generating employment. Hence the experiences of different countries in dealing with conflicting policy objectives needed to be analysed.

24. Export diversification remained a key objective in the development of African countries, and UNCTAD and the international community could assist in a number of ways. These included the provision of assistance, on a national or regional basis, in vertical and horizontal diversification as well as in related human capacities; creation of self-financing mechanisms for commodity diversification activities; and effectively addressing the weak technological base, market access problems and other commodity-related problems.

25. As regards the improvement of export opportunities for goods and services of developing countries, concern was expressed about the poor and declining performance of Africa in contrast with the positive trend in other developing regions. While the share of developing countries in world exports rose from 24 per cent in 1990 to 27 per cent in 1995, Africa's share fell from 3 per cent in 1985 to 2 per cent in 1995. The situation was intolerable and unacceptable. Furthermore, the trend was the same regarding the regionalization of trade among developing countries. While intraregional trade had grown in Asia and Latin America and the Caribbean, intra-African trade had declined at a rate of 9 per cent during the first half of the 1990s. Also, both the product mix and trade links of African countries maintained the traditional bias towards primary commodities and northern markets.

26. African countries remained committed to further liberalization in support of export growth. However, market access barriers and supply-side constraints hampered exploitation of export opportunities. UNCTAD should assist developing countries in identifying these market access barriers, including the use of new protectionist tools such as anti-dumping and safeguard measures, and propose ways of removing them. Similarly, supply-side constraints needed to be identified and ways and means found to deal with them. The information technology revolution, including the Internet, should be used to expand and exploit trading opportunities. In this regard, issues of requisite infrastructure, connectivity and access to information were important for developing countries. UNCTAD should also continue to help developing countries to strengthen their capacities in the services sector, including for trading. Assistance should also be extended to regional integration processes, in particular the African Economic Community established by the Abuja Treaty.

27. The spokesman for the **least developed countries** (Bangladesh) said that agenda items 3 and 4 had a direct relevance to the outcome of the High-Level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development, held in Geneva last October under the auspices of the WTO. He urged that the commitments made by the international community at that meeting in respect of increased market access for LDCs' products be translated into reality so that LDCs could derive tangible benefits from those commitments. With regard to the meeting's recommendations to the developed nations, donors, intergovernmental organizations and international and regional financial institutions for technical and financial assistance to the LDCs, he hoped that these would be fully and effectively implemented. In that connection, the LDCs sincerely appreciated the contribution made by UNCTAD to the High-Level Meeting, and now requested it to make a study analysing the follow-up measures for that meeting. Furthermore, they hoped that UNCTAD would contribute in a meaningful way to the next WTO Ministerial Conference.

28. The speaker listed a number of issues that were pertinent to the economic development of the LDCs: (i) agricultural development; (ii) foreign direct investment (FDI); (iii) debt burden; (iv) official development assistance (ODA); and (v) trade in services. First, as pointed out in *The Least Developed Countries, 1997 Report*, many LDCs, including Bangladesh, had undertaken agricultural reforms. One of their objectives was to export surplus production for foreign exchange earnings, which could be reinvested in other economic activities. This, however, was greatly undermined by commodity price volatility, tariff peaks and tariff escalations. Concerted international action was needed in those areas. Second, as also pointed out in the LDC Report, foreign capital was another means of diversification.

Bangladesh, in common with many other LDCs, had liberalized its FDI regime. FDI flows to LDCs remained minimal, however. The speaker therefore invited UNCTAD to make a study of the reasons for the LDCs' poor performance in attracting FDI, and to provide technical assistance to evaluate and rationalize investment incentive schemes in those countries. Third, the high level of debt burden of many LDCs had greatly affected their export diversification efforts. In that connection, LDCs expected the heavily indebted poor countries (HIPCs) initiative to be implemented in a meaningful way. Fourth, sustained and predictable ODA was essential for strengthening the overall capabilities of LDCs. Lastly, with regard to trade in services, liberalization of the movement of natural persons - a mode of supply in export transactions - would help developing countries earn foreign exchange. In that connection, UNCTAD should explore the possibility of participating in the ongoing study by the International Organization for Migration on a possible regime for the orderly movement of people. Also, it should make a study of the negative effects of economic needs tests on the movement of natural persons.

29. The representative of **Luxembourg**, speaking on behalf of the **European Union**, suggested with regard to the preparation of the Commission's meetings that an information session be held for the member States three weeks before each meeting. Had this been done, there would have been enough time to analyse the outcomes of the four expert group meetings, and their policy implications for the future activities of the Commission. The European Union found that the week available to it had been too short for a complete analysis of the documents. She said that at a later stage the European Union would distribute a position paper, which she requested be brought to the attention of the Commission.

30. The representative of the **Dominican Republic** said that the background documents prepared by the secretariat were of great value and were consistent with the mandate it had received in Midrand. He noted that developing countries would need support for the new phase of international trade negotiations due to start in 1999 as part of the "built-in agenda".

31. The Dominican Republic considered it particularly important that developing countries receive support in four areas of analysis. The first two areas were analysis of the new non-tariff measures which had been implemented since the end of the Uruguay Round with the aim of identifying appropriate rules and disciplines for these measures, and analysis of the implications of the Agreement on Subsidies and Countervailing Measures. The latter analysis would be particularly relevant to developing countries, since the transitional period allowed to them was expiring and they needed to identify the measures they should resort to in order to minimize possible negative impacts due to the implementation of the Agreement. The other two areas were analysis of the relevance of the Uruguay Round Agreements for the new integration agreements, especially those which would involve countries at different levels of development; and analysis of ways and means of effectively applying Article IV of the General Agreement on Trade in Services in the new round of negotiations on services, for the purpose of avoiding sector-by-sector negotiations and having instead global negotiations. The latter were likely to achieve fairer results than those achieved during the previous three years of negotiations on services.

32. The representative of the **European Community**, responding to the representative of Peru, said that the decision to adhere to the Common Fund for Commodities was a Community decision adopted by the Council of Ministers of the European Union. The European Community, a member of the Common Fund, had never announced its withdrawal from the Fund.

Chapter II

ACTION BY THE COMMISSION AND PROCEEDINGS OF THE CLOSING PLENARY

Action by the Commission

33. At its 7th (closing) plenary meeting, on 21 November 1997, the Commission adopted its draft agreed conclusions on agenda items 3 and 4. (For the text of the agreed conclusions, see annex I.)

34. It took note of the Chairperson's summary of the informal discussions under agenda items 3 and 4. (For the text of the summary, see annex II.)

35. The Commission recalled that, in its informal discussions, it had examined the reports of the following four Expert Meetings:

1. Expert Meeting on Strengthening the Capacity and Expanding Exports of Developing Countries in the Services Sector: Health Services;

2. Expert Meeting on Vertical Diversification in the Food Processing Sector in Developing Countries;

3. Expert Meeting on Trade and Investment Impacts of Environmental Management Standards, Particularly the ISO 14000 Series, on Developing Countries;

4. Expert Meeting on Positive Measures to Promote Sustainable Development, Particularly in Meeting the Objective of MEAs.

36. The Commission noted the recommendations adopted by the Expert Meetings and requested the secretariat to commence work on the proposed activities referred to it and, given the policy implications of the recommendations, decided to transmit them to the Trade and Development Board for further consideration and discussion.

37. The representative of the **United States of America** expressed concern that the Commission was apparently asking the secretariat to begin work on the proposed activities referred to it before the Trade and Development Board had endorsed them.

Closing statement

38. The representative of **Luxembourg**, speaking on behalf of the **European Union**, said that the European Union was pleased with the conclusions adopted by the Commission. However, it wanted more information to be available regarding the functioning of the next session of the Commission, and also more time in which to study the agenda items. It was regrettable that the timetable of the present session had not been respected, and the European Union hoped that this problem would not recur.

Chapter III

ORGANIZATIONAL MATTERS

A. Opening of the session

39. The second session of the Commission on Trade in Goods and Services, and Commodities was opened on 17 November 1997 by Mr. Daniel Bernard, Chairperson of the first session of the Commission.

B. Election of officers

(Agenda item 1)

40. At its 6th plenary meeting, on 17 November 1997, the Commission elected its Bureau as follows:

Chairperson:	Mr. Bozorgmehr Ziaran	(Islamic Republic of Iran)
Vice-Chairpersons:	Mr. Agus Tarmidzi	(Indonesia)
	Mr. Federico Cuello	(Dominican Republic)
	Mr. Hesham Youssef	(Egypt)
	Mr. Dietrich Barth	(Germany)
	Mr. Peter Jenkins	(United Kingdom of Great Britain and Northern Ireland)
Rapporteur:	Mr. Petko Baev	(Bulgaria)

C. Adoption of the agenda and organization of work

(Agenda item 2)

41. At the same meeting, the Commission adopted the provisional agenda circulated in document TD/B/COM.1/11. Accordingly, the agenda for the second session was as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Diversification in commodity-dependent countries
4. Ways and means for improving the opportunities for the expansion of exports of goods and services from developing countries
5. Reports of the subsidiary bodies of the Commission
6. Provisional agenda for the third session of the Commission
7. Other business
8. Adoption of the report of the Commission to the Trade and Development Board

D. Provisional agenda for the third session of the Commission

(Agenda item 6)

42. At its 7th (closing) plenary meeting, on 21 November 1997, the Commission approved the draft provisional agenda for its third session. (For the provisional agenda, see annex IV.)

E. Adoption of the report of the Commission to the Trade and Development Board

(Agenda item 8)

43. At its 7th (closing) plenary meeting, on 21 November 1997, the Commission adopted the draft report on its second session (TD/B/COM.1/L.5), subject to amendments by member States to the summaries of their statements, and authorized the Rapporteur to complete the text of the report in the light of the proceedings of the closing plenary.

ANNEXES

Annex I

AGREED CONCLUSIONS

Agenda item 3 - Diversification in commodity-dependent countries

The Commission, taking into account the recommendations put forward by experts on the food processing sector in developing countries in their report (TD/B/COM.1/8), agreed on the following specific recommendations on agenda item 3:

A. Addressed to the international community

(i) Further trade liberalization, improved market access and the avoidance of unilateral action would provide important support for the diversification efforts of commodity-dependent developing countries. Reductions of tariff peaks and tariff escalation facing these countries' exports would be important in this regard. Given the importance of sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT) measures for the dynamic commodity markets (e.g. foods), there is a need for greater attention by developing countries to the implications of the notifications of new measures in this area by WTO members.

(ii) International financial and technical support, including through UNCTAD, to commodity-dependent countries in their diversification efforts needs to be reinforced. In this respect, it is important to ensure that existing resources which are available for this purpose are properly utilized and the whole support programme is better coordinated.

(iii) The Common Fund for Commodities should expedite its exploration of ways and means to utilize the resources of its First Account.

B. Addressed to Governments

(i) Commodity-dependent developing countries should consider the relative advantages of regional arrangements and regional and South-South trade as a means of diversification and as a stepping stone to global trade.

(ii) Improvement of supply capacities is crucial to effective diversification. Priority needs to be given to the establishment of a stable macroeconomic environment, to adequate export infrastructure and to training, in order to enable enterprises to exploit the opportunities for diversification. Equally important is the development of the processing, marketing and distribution capacities to ensure the successful positioning of enterprises in market chains. Both conducive policy options and international support measures are important in this area.

(iii) Clustering of enterprises and free trade zones could help in promoting diversification by increasing forward and backward linkages and lowering transaction costs. Governments should identify ways and means to

promote the participation of small and medium-size enterprises and small farms therein, such as export credits and trade finance.

C. Addressed to UNCTAD

(i) Joint ventures could provide a positive impetus to diversification. The UNCTAD secretariat should undertake an analysis of the effects on diversification of joint ventures, mergers, franchises and similar arrangements in sectors where developing countries may have comparative advantage.

(ii) UNCTAD should study the extent of the relevance of Uruguay Round provisions in ensuring that developing countries and particularly least developed countries can take advantage of opportunities that may be created in regional trading arrangements.

(iii) UNCTAD should promote a better understanding of the implications, and of ways to take advantage, of the Agreement on Subsidies and Countervailing Measures.

(iv) UNCTAD, in collaboration with the International Trade Centre, should undertake feasibility studies on the positioning of enterprises of commodity-dependent developing countries in sourcing networks and the identification of market opportunities, including for environmentally sound products and niche markets.

(v) Within its mandate, UNCTAD should provide technical assistance, including training, institutional capacity-building and access to information on the above issues, in order to operationalize these proposals in the context of regional and global trade.

(vi) In the area of technical cooperation, UNCTAD should provide support for commodity diversification efforts in developing countries, in the light of their Uruguay Round obligations, the "built-in" agenda and possible further multilateral negotiations.

Agenda item 4 - Ways and means for improving the opportunities for the expansion of exports of goods and services from developing countries

The Commission, taking into account the recommendations put forward by experts on expanding exports of developing countries in the health services sector in their report (TD/B/COM.1/7-TD/B/COM.1/EM.1/3), agreed on the following specific recommendations on agenda item 4:

A. Addressed to the international community

(i) Developing countries, particularly LDCs, require assistance in developing efficient supply and export capabilities, including through the expansion of research and development, technological cooperation, concessional resource flows and reduction of their foreign debt burden.

(ii) Special and differential treatment for developing countries can facilitate their integration into the multilateral trading system. In the context of the post-Uruguay Round environment and increasing globalization, preferential schemes can help developing countries avoid marginalization.

They should be focused to provide benefits to those developing countries which need them most, taking into account the need to identify criteria that preference-giving countries may wish to adopt.

(iii) Those non-tariff measures which are not covered by multilateral trade agreements should continue to be identified.

(iv) Future negotiations in agriculture should take into account the interest of developing countries, particularly LDCs and net food-importing developing countries.

(v) There is a need to continue to implement Article IV (Increasing Participation of Developing Countries) of the General Agreement on Trade in Services (GATS) and to ensure an overall balance of rights and obligations for all participants in the next round of negotiations, as foreseen in Article XIX (Negotiation of Specific Commitments) of the GATS. Technical assistance should be provided to developing countries to help them benefit from the GATS commitments.

(vi) Attention should be paid to the completion of the negotiations on emergency safeguards in services, and making progress in developing disciplines governing domestic regulations for qualification requirements and procedures, technical standards and licensing requirements.

(vii) Electronic commerce should provide important opportunities to developing countries in expanding their exports of both goods and services. Therefore, their access to information infrastructure and connectivity should be facilitated.

(viii) The effective participation of developing countries in international standard-setting bodies should be facilitated and encouraged. Additional consideration of this issue by the international community is necessary.

B. Addressed to Governments

(i) Within the limits of their capacity, Governments should strive to ensure sustainable development through a stable macroeconomic and institutional environment which fosters equity, with a view to removing supply-side constraints which hamper the exploitation of emerging export opportunities.

(ii) Efforts need to be made by the preference-receiving countries to increase the utilization of GSP schemes, including measures to make the benefits of the GSP better known to exporters, and by the preference-giving countries, where applicable, to expand its product coverage and the margin of preference.

(iii) The most economically advanced developing countries should consider providing trade preferences to LDCs.

(iv) Developing countries should make efforts to develop exports in services sectors where they have competitive advantages. Export strategies should make use of all modes of supply, and focus *inter alia* on education and training to build up a skilled workforce, and on taking full advantage of the possibilities offered by information technology and new business techniques.

In developing export strategies, the close interaction between Governments and the private sector is of paramount importance.

(v) Governments should foster access to information infrastructure and should avoid barriers to electronic commerce.

C. Addressed to UNCTAD

(i) UNCTAD should continue to analyse the ways and means of enhancing the utilization of the existing GSP preferences, of improving the functioning of such preferences and their attendant rules of origin, and of adapting the GSP to present realities.

(ii) UNCTAD should organize, in the framework of its technical assistance programmes, training seminars and workshops to assist developing countries and countries in transition to build their capacity in techniques and ways of assessing their national interests in preparation for trade negotiations, with a view to (a) identifying domestic as well as external barriers to trade in goods and services of particular export interest to these countries; and (b) evaluating the extent of liberalization that they may offer. These activities should be open to all interested members upon request. The special interests of LDCs should be taken into account in this respect.

(iii) UNCTAD should study, in cooperation with other relevant international organizations, issues arising from electronic commerce and help developing countries to take full advantage of its benefits.

(iv) UNCTAD, within its mandate, should assist developing countries in their efforts to promote economic cooperation and integration among themselves.

(v) The tourism sector in developing countries is especially vulnerable to natural and man-made disasters. UNCTAD should study the effects on the trade and development efforts of developing countries in the tourism sector, the measures to offset any adverse effects, and ways and means to expedite their recovery. In this area, UNCTAD should indicate to the member States possible areas for future work.

(vi) UNCTAD should undertake a study of the export potential of developing countries in the business services sector. This is a potential topic for a future expert meeting.

Convening of expert meetings

The Commission decided, in accordance with "A Partnership for Growth and Development", to convene in 1998 three expert meetings on the following topics:

(a) Examination of the effectiveness and usefulness for commodity-dependent countries of new tools in commodity markets: risk management and collateralized finance;

(b) Strengthening the capacity for expanding the tourism sector in developing countries, with particular focus on tour operators, travel agencies and other suppliers;

(c) Strengthening capacities in developing countries to develop their environmental services sector.

Annex II

CHAIRPERSON'S SUMMARY OF THE INFORMAL DISCUSSIONS UNDER AGENDA ITEMS 3 AND 4

Agenda item 3 - Diversification in commodity-dependent countries

1. In its informal meetings, the Commission deliberated on the report prepared by the secretariat entitled "Diversification in commodity-dependent countries: The role of Governments, enterprises and institutions" (TD/B/COM.1/12), complemented by panellists' presentations. It also considered the report of the Expert Meeting on Vertical Diversification in the Food Processing Sector (TD/COM.1/8 and TD/B/Com.1/EM.2/3).

2. The Commission's discussions centred on several core areas.

The international trading environment and commodity diversification

3. Several delegates stressed the importance of globalization and of international factors in diversification processes. With respect to the multilateral trading system, it was important that diversification concerns of commodity-dependent economies were integrated into the context of the built-in agenda of the Uruguay Round Agreements as well as into the design of a positive agenda for possible future trade negotiations.

4. It was strongly felt that those commodity markets (e.g. foods) that were dynamic and provided export opportunities for commodity exporters were, in several instances, those where various types of trade barriers (escalation, peak tariffs) and sanitary and phytosanitary (SPS) measures were rendering market access complicated. In this connection, the impact of international standard-setting, especially in the form of SPS measures and the Codex Alimentarius, the Hazard Analysis Critical Control Point (HACCP) system and ISO standards, was of particular interest to some delegations. While consumers' interest in safety, quality and health standards was appreciated, a need was expressed for more transparency in the evolution and implementation of such standards, and for broader participation by developing countries.

5. The issue of sources of international support measures for commodity diversification was debated in some detail. The Common Fund for Commodities and other commodity-related schemes such as Stabex under the Lomé Convention, and the Compensatory Financing Mechanism of the IMF, were specifically mentioned. One delegation felt that the First Account of the Common Fund for Commodities could be a potential source of finance in this respect.

6. Discussion also focused on the role of regional trade agreements and regional trade as a modality for facilitating production and trade diversification efforts because of, *inter alia*, the economies of scale which it generated, the similarity of technologies, and the lower transaction and transportation costs it involved. These factors were important for the diversification of exports to regional markets, which in turn could serve as a stepping stone to global trade. Nevertheless, some concerns regarding regional trade were raised in view of differences in size and economic development status among participating countries. Such differences necessitated a period of adaptation so as to enable less developed economies

to integrate fully into regional trade agreements. Moreover, the issue of supranationality was recognized as an important factor in reinforcing regional integration.

7. Deliberations on the role of regionalism in diversification were based on the example of the MERCOSUR trade agreement. As illustrated by one of the panellists, MERCOSUR had had a positive impact on diversification, partly because of its combination with domestic policy reforms, and given general improvements in the economic performance of the member countries. Thus, in 1996, MERCOSUR accounted for 33 per cent, 15 per cent, 55 per cent and 48 per cent respectively of the exports of Argentina, Brazil, Paraguay and Uruguay. Between 1985 and 1996, the basket of goods exported increased markedly, and there was a clear switch in exports from commodity-based products to products with high added value. However, the volatility of exchange rates at times had destabilized trade flows. It was therefore obvious that regional trade agreements could not substitute for sound domestic policy, with respect both to macroeconomic and monetary decisions, and to diversification policies.

Domestic policies

8. On the basis of the secretariat's report, several delegates raised the issue of conflicting policy objectives. In developing countries, there was often a conflict between trade liberalization and the continued need for government support to diversification efforts. In developed countries, development assistance policies sometimes conflicted with sectoral policies regarding those countries' agriculture or manufactures sectors. In many economies, moreover, there was difficulty in reconciling small and medium-size enterprise (SME) development and poverty programmes with measures designed to support the better-performing segments of the economy which were more liable to result in diversification.

9. The modalities and desirable extent of state support to diversification were also explored. Several delegations pointed out that there was a complex balancing act in identifying and providing appropriate government support, both at the national and local levels, and recognizing when it was advisable to discontinue such support, without jeopardizing the desired diversification processes and undermining social objectives. Various forms of domestic resource mobilization for diversification (e.g. taxes and levies earmarked for diversification) were mentioned in this connection.

The enterprise sector and developments in diversification

10. Globalization was providing new market opportunities, and there were many dynamic product markets within the commodity sector. Developing countries needed to explore market opportunities and market niches of various natures, including for example ecological products. At the same time, countries were cautioned not to overestimate such niches, since it frequently happened that competitors entered these markets unexpectedly, thus possibly displacing smaller developing country suppliers. There might therefore be a case for studying shifts in global supply-and-demand balances in the course of diversification processes.

11. Developments in the enterprise sector were the key to understanding diversification decisions. A panellist pointed out the numerous obstacles facing the private sector in Uganda, which could be generalized for the

situation in many low-income commodity-dependent economies. Among the cross-cutting development constraints hampering the private sector were an ineffective or shallow financial sector; lack of a legal and regulatory system; weak infrastructure; obsolete technology, poor on- and off-farm storage facilities, high taxation, and generally inadequate support services; an inadequate policy framework; an inefficient and overly dominant public enterprise sector; misdirected development assistance; high transaction costs; and lack of trust in the interaction between the Government and the private sector. In addition, particular constraints faced agriculture, manufacturing and tourism, as well as the SME sector in developing countries, especially the LDCs. The role of government in providing a climate conducive to business activities was hence crucial.

12. Several delegations commented on the particular difficulties of new market entrants in positioning themselves in commodity chains and international distribution channels, as these were often controlled by large transnational/international enterprises. One way to overcome this obstacle was to develop partnerships in various forms - clusters in developing countries, joint ventures, franchises and mergers - between developing country enterprises and established international businesses. Similarly, free trade zones had proved to be a useful conduit for diversification in several developing countries. Governments had some role to play in such matching exercises, particularly by providing a predictable regulatory environment, access to international capital markets, and the appropriate infrastructure. As an example of international development assistance in such schemes, the EC reported on its European Community Investment Partners programme.

13. In a related vein, some delegations suggested that empirical research might explore prospects for joint ventures, especially in areas where developing countries might have comparative advantage (e.g. food processing and the health sector). Such research might specifically analyse the results of enterprise-level partnerships in developing countries after a sufficiently long period so as to gauge the impact achieved.

14. Prospects for joint ventures were discussed in some detail, supported by a panellist's report. The changing nature of the global economy was influencing the nature of joint venture arrangements. Distinctions between local and foreign, national and multinational, private and public capital and investment were disappearing. While earlier practice had been that multinationals tried to curb the participation and influence of local partners, they currently aimed to maximize the benefits they could obtain from local partners and therefore visibly increased the latter's role in joint ventures. Partnerships between the local private sector and foreign partners required clear and coherent investment and regulatory policies, with special emphasis on guarantees on securing project finance repayment.

15. An interesting development was evolving with regard to finance for commodity-related projects. Since financing efforts were often jeopardized by considerable price fluctuations, market-based project finance techniques, originally developed for infrastructure funding, were being introduced in the commodity sector, notably in mining. Nevertheless, the State had a pivotal role to play in a period of transition from government-based to private sector development in the commodities area. Several delegations referred to risk management tools and commodity securitization mechanisms which had an important role to play, especially in the newly liberalizing markets, and could supplement diversification efforts.

Social and environmental factors in diversification

16. Some delegations observed that social and environmental factors were influential elements in diversification processes and the resulting transformations of economies. Patterns in the gender division of labour often changed, and social mobility between rural and urban sectors frequently intensified as a result of changes in trade composition and flows. The informal sector was strongly affected by diversification programmes, and due account needed to be taken of its requirements so as to enable this part of society to benefit from and contribute to development. Experience from large-scale commodity development and diversification projects showed, moreover, that major local players and social groups were increasingly voicing their interests. These groups had a right to be involved in the design of diversification programmes.

Possible follow-up

17. In concluding, it was observed that the conclusions and recommendations provided as proposals in the secretariat's report (paragraphs 61-64) could be regarded as a comprehensive package and that attempts could possibly be made to implement them in an integrated fashion in a number of developing countries, albeit with due prioritization. Forms and areas of technical assistance and training were considered that would enable developing countries to design and implement diversification policies, and to be successful in international trade. Such assistance might relate *inter alia* to modalities for access to trade information, support in various types of trade fairs (e.g. private label fairs) or exploration of niche markets for developing country exporters to target. It was suggested that consideration be given to redesigning UNCTAD training seminars (such as the GSP workshops) so as to better reflect the different elements necessary in penetrating specific markets. In addition, UNCTAD was ascribed a certain "matchmaker" role, notably for LDCs, in tapping international distribution channels.

Expert Meeting on Vertical Diversification in the Food Processing Sector in Developing Countries

18. With respect to the report of the Expert Meeting on Vertical Diversification in the Food Processing Sector in Developing Countries, it was generally agreed that the meeting had been a success and identified basic elements necessary for developing countries to succeed in their diversification efforts. It had touched on areas important not only to developing but also to developed countries, and had put forward important recommendations. Since domestic policy requirements were well covered and were being addressed adequately by developing country Governments, several delegations felt that it was time to refocus on the international dimension of policies and measures needed to support the diversification efforts of developing countries.

19. In this regard, one delegation suggested that technical assistance programmes be integrated into regional development programmes to ensure that diversification programmes were consistent and that available resources were used optimally. Many delegations felt there was, moreover, a need to increase existing international funding available for diversification efforts.

20. A need for further trade liberalization so as to support notably vertical diversification was identified. It was noted that commodity-dependent developing countries needed to be fully aware of rights and obligations stemming from the Uruguay Round Agreements, of the consequences associated with non-compliance, and of the special and differential treatment accorded to low-income developing economies.

21. Several delegations underlined the merits of "regionalism", i.e. promoting exports to neighbouring markets and those of other developing countries, and referred to the report's findings and recommendations which had highlighted the advantages of South-South trade for diversification and for advancing in global trade.

22. The role of export infrastructure and the development of processing, marketing and distribution capacities were highlighted by a number of delegations. This required measures such as training in information and other technologies, and credit schemes designed especially for SMEs, so as to assist commodity-dependent economies in diversifying.

23. In the follow-up to the Expert Meeting, the issue of standards such as SPS measures, HACCP, ISO and others, and their impact on diversification, for example in food markets, were discussed. Concerns included the initial costs, for developing countries, of complying with international standards, and the need for harmonization of standards and inspection institutions. In this connection, some delegations felt that there might be a case for exploring modalities for UNCTAD's participation in international standard-setting bodies, so as to be able to advise developing countries on the implications. Such activities would need to be coordinated with those of other international agencies.

24. With respect to the format of Expert Meetings, views diverged as to whether the topic had been cast too broadly or indeed too narrowly. With a view to ensuring the continued success of Expert Meetings, one delegation suggested that the secretariat refine the evaluation process during and after each such meeting.

Agenda item 4 - Ways and means for improving the opportunities for the expansion of exports of goods and services from developing countries

25. In its informal meetings, the Commission deliberated on the report prepared by the secretariat entitled "Ways and means for improving the opportunities for the expansion of exports of goods and services from developing countries" (TD/B/COM.1/13), complemented by panellists' presentations. It also considered the report of the Expert Meeting on Strengthening the Capacity and Expanding Exports of Developing Countries in the Services Sector: Health Services (TD/B/COM.1/7 and TD/B/COM.1/EM.1/3).

26. The Commission's discussions centred on the following issues: the future of trade preferences, special and differential treatment in favour of developing countries, and trade in services.

The future of the GSP

27. There was a divergence of views on the impact of trade preferences and the GSP. On the one hand, there was wide recognition that trade preferences

were of continuing importance in creating trade and contributing to the overall development of developing countries. Developing countries have benefited from the GSP, including sectors that were largely excluded from the process of global trade liberalization prior to the creation of the WTO. It was emphasized that the original *raison d'être* of trade preferences in providing developing countries with preferred market access to their major markets is even more relevant in the present world of heightened global competition juxtaposed with continuing supply-side difficulties in developing countries. Trade preferences remain a useful instrument, particularly for the LDCs and developing countries with structurally weak economies, in enhancing their integration into the international trading system.

28. On the other hand, it was argued that in hindsight trade preferences have not supported international trade liberalization and expansion. The existence of trade preferences contributed to restraining the extent of participation by developing countries in multilateral trade negotiating rounds such as the Tokyo Round and the Uruguay Round. With a limited contribution to multilateral trade liberalization, developing countries reaped few benefits from the resultant trade opportunities. However, it was pointed out that many developing countries had participated actively in the Uruguay Round negotiations and made substantial concessions in terms of tariff bindings and other areas, including the acceptance of the "single undertaking", in expectation of taking advantage of international trading opportunities.

29. It was noted that only a few recipient developing countries have significantly benefited from GSP schemes and have strongly expanded trade with developed countries. It was emphasized, however, that the effective utilization of trade preferences by developing countries was constrained by a number of factors. An important barrier has been the lack of awareness of the preferences and of their effective utilization both by Governments and by private economic operators. A greater effort at enhancing the utilization of GSP by economic operators, in particular through better information dissemination and sensitization, is therefore needed. Other problems include the limited coverage of some GSP schemes and stringent rules of origin requirements in certain sectors. However, it was also noted that to a certain degree the rules of origin are designed to ensure that recipient countries derive real benefits in terms of trade growth and vertical industrial processing in recipient countries. Furthermore, progress in simplifying GSP schemes is already being made in some developed countries.

30. On improving trade preferences, a suggestion was made that more advanced and dynamically growing developing countries consider offering trade preferences to LDCs.

31. In respect of the future of trade preferences, there was a convergence of views that with the exception of LDCs the GSP schemes for most developing countries are likely to be phased out after a transitional period. Without a narrow focus which restricts the GSP to the countries in most need of support schemes (LDCs and, possibly, lower-income countries), it appears more than likely that only the more advanced and competitive developing countries would benefit from the preferences. However, it was recognized that some of the LDCs are becoming competitive in international markets and a revision of the GSP is likely to be a politically difficult task. The experience garnered in the graduation of preference-receiving countries out of these benefits on a sectoral or whole country basis has been very controversial. The criteria used in determining graduation have been argued and contested on the ground

of their economic objectivity and transparency. It was suggested that internationally recognized and objective criteria should be used, where competitiveness could be one of them.

32. As regard conditionalities attached to trade preferences, views differed. It was stressed that conditionalities have always been attached to the autonomous granting of trade preferences. The nature of these conditionalities has changed over time, reflecting changing policy orientations in preference-giving countries regarding their general socio-economic relations with preference-receiving countries. Some developed countries are attaching social and environmental clauses to the granting of GSP preferences. This was seen to be important in ensuring a balance in trade and economic development with social progress and limited environmental damage. Conversely, it was stated that the imposition of conditionalities implies that in reality there is reciprocity in the supposedly non-reciprocal trade preferences. In the same direction, the move towards the use of non-economic conditionalities was criticized.

33. It was stressed that trade preferences such as the GSP are mutually beneficial to preference-giving and preference-receiving countries. They can improve trade for both parties. As the trade of developing countries expands via the use of trade preferences, their purchasing power also increases, which can then be used *inter alia* to purchase imported goods from developed countries.

Special and differential treatment

34. The wider issue of special and differential treatment for developing countries, of which trade preferences is one important aspect, was recognized in the former GATT and is now recognized in the WTO. It was mentioned that in the past such treatment was provided to developing countries to assist them in their development process and to help them to integrate into the international trading system. In the present changed context, as witnessed in the Uruguay Round negotiations, the provision of special and differential treatment is a function of the negotiating strength of concerned countries and therefore in some cases developing countries are disadvantaged. It was suggested that further examination may be required of the principle of special and differential treatment for developing countries in the light of the evolving changes relating *inter alia* to trade preferences, emergence of regional free trade areas between developed and developing countries based on reciprocity, and the interrelationships between these free trade areas and future multilateral trade liberalization.

Trade in services

35. Trade in services is a dynamic sector, whose share in world trade now amounts to 20 per cent. Higher growth is anticipated owing to rapid progress in transport as well as information technology; increasing consumer demand for such services; and increasing demand from industries, due to outsourcing and to the fact that services are increasingly becoming inputs to their production.

36. The provisions of the General Agreement on Trade in Services (GATS) were expected to provide grounds for liberalization of trade in services such that growth would be further enhanced. Some delegates raised a concern, however, with respect to the progress of the sector-specific negotiations within the

GATS framework which had followed the completion of the Uruguay Round. Such a sectoral approach may have prevented developing countries from striking a balance with developed countries on concessions among different sectors in trade in services. When negotiations were led by interests of major developed countries, such as basic telecommunications, a major improvement in market access was achieved. The sectors of particular interest to developing countries, on the other hand, did not achieve a satisfactory outcome. Negotiations on maritime transport had been suspended until the start of the new round of services negotiations.

37. The issue of the movement of natural persons received particular attention from both developed and developing countries. Some delegates were of the view that the concessions made in the negotiations on movement of natural persons were very limited. They were mostly confined to the horizontal movement of business people and of senior management. As this mode of supply represents a potential for substantial export earnings for developing countries, it was suggested that UNCTAD should take up analysis of this issue, in cooperation with the International Organization for Migration. The European Community, on the other hand, stated that its broad range of options newly available to the WTO members in 1994-1995 under the GATS framework should not be underrated and that there were doubts about the extent to which its GATS commitments were being used. It also said that the movement of natural persons faces the difficulty of the mutual recognition of diplomas and qualifications, which is an extremely sensitive issue. On the other hand, it was recalled that negotiations on other sensitive issues, such as intellectual property rights, had been carried forward.

38. With regard to financial services, negotiations should be concluded in December 1997. Developed countries encouraged developing countries to make meaningful concessions in this field, arguing that success in these negotiations would be a major accomplishment for the multilateral system.

39. Technological change in telecommunications will have a profound impact on economies worldwide. It will mean that *inter alia* (i) the cost-distance link in telecommunications will disappear; (ii) the size of businesses will not be as important to competitiveness as it is now; (iii) location will cease to be as important as it is now; and (iv) the potential of electronic trade has to be explored. Some industrialized countries suggested that the development of information technology causes the relative importance of the supply of services through the movement of persons to wane, since developing country suppliers will increasingly be able to provide services from their home countries via electronic means of communication. While acknowledging the potential of new technologies, developing countries stressed the continuing importance of the movement of natural persons.

40. As regards the future of the negotiations, it was suggested that an in-depth analysis of GATS implementation so far should be undertaken and that a balanced agenda for the future negotiations should be identified. For instance, it must be ensured that Article IV (Increasing Participation of Developing Countries) be built into countries' commitments, as this has not yet been applied. This article reflects an important balance in concessions that could be made between developing countries and developed countries. Other issues such as those included in Article 6 (Domestic Regulations) are also crucial, in order to reduce impediments set up by domestic regulations to potential exports of services.

41. In preparation for negotiations, the identification of sectors or sub-sectors where export opportunities lie for developing countries is urgently needed. It was suggested that such opportunities may be found in the sectors where developing countries have (i) natural and geographical advantages; (ii) an education and training basis to provide skilled workers; (iii)the competitive advantage provided by lower wages; and(iv) the possibility to cut the cost of services further, utilizing the communication and transport technology. Such sectors may include tourism, telecommunications and long-distance business services (e.g. accounting, computer software). Nevertheless, in order to deepen the analysis, UNCTAD should help developing countries identify areas of export interest and analyse the market access barriers and supply-side constraints in these areas. This would provide developing countries with background information for the formulation of their negotiating positions.

42. The process of identification of export opportunities, however, also requires sound statistical information on trade in services in order to evaluate market access opportunities, to compare liberalization commitments and to assess the extent of liberalization reached in specific sectors and markets. In this context, the WTO informed the Commission about the progress of the Inter-Agency Task Force on Services Statistics, in which UNCTAD is one of the active participants. The objective of the Task Force is to promote the development of international standards, systems and classification for services statistics. It is expected that in June 1998 the first complete draft of a reference manual on trade-in-services statistics will be available, which seeks to develop a standardized conceptual framework and classifications for trade in services. It was underlined that important advances had been made in statistics related to commercial presence (foreign affiliates), while more effort should be made to develop data on the movement of natural persons.

43. Work is also desired for identifying the best possible framework for the new negotiations, such that a balanced agenda could be achieved in all services sectors, based on the area of interests and particular needs of developing countries.

Expert Meeting on health services

44. In considering the report of the Expert Meeting on Strengthening the Capacity and Expanding Exports of Developing Countries in the Services Sector: Health Services, delegations expressed the view that the meeting had provided new insights into trade in a major service sector, and also into capacity-building in trade, that were relevant for other service sectors. It was considered that social and ethical considerations played a paramount role in health services and that there were limits to the expansion of exports in the health sector due to the peculiarities of the sector.

45. Many delegations felt that barriers to the movement of natural persons represented a major constraint on exports of services in the area of health as well as in other areas. A suggestion was made to widen the categories of persons who could move under special occupations. Also, it was noted that difficulties in achieving mutual recognition of qualifications, diplomas and licensing made the circulation of natural persons as services suppliers rather difficult, and therefore more work on these issues was necessary. Economic needs tests were singled out as a barrier to the expansion of trade in health services.

46. It was underlined that the studies proposed by experts to be carried out by UNCTAD on health services, for instance on how to achieve international recognition of diplomas, would facilitate the effective participation of developing countries in future negotiations in this sector.

Annex III

LIST OF PANELLISTS

A. Diversification in commodity-dependent countries

(Agenda item 3)

Mr. Antônio Salazar Pessoa Brandão
Director, Fundação Getulio Vargas, Instituto Brasileiro de Economia, Rio de Janeiro, Brazil
Mr. Hugh Verrier
White and Case Law Firm, United States
Mr. Nimrod Waniala
Senior Advisor to Minister of Trade and Industry, Ministry of Trade and Industry, Kampala, Uganda

B. Ways and means for improving the opportunities for the expansion of exports of goods and services from developing countries

(Agenda item 4)

Mr. Trân Van-Thinh
Former Ambassador to the European Union
Mr. B.K. Zutshi
Vice-Chairperson, Telecom Regulatory Authority of India
Ms. Ene Juurma
Manager, Australian Business Health, Australian Business Center

Annex IV

PROVISIONAL AGENDA FOR THE THIRD SESSION OF THE COMMISSION

1. Election of officers

2. Adoption of the agenda and organization of work

3. Ways and means of enhancing the utilization of trade preferences by developing countries, in particular LDCs, as well as further ways of expanding preferences

4. Scope for expanding exports of developing countries in specific services sectors through all GATS modes of supply, taking into account their interrelationship, the role of information technology and of new business practices

5. Reports of the subsidiary bodies of the Commission

6. Other business

7. Adoption of the report of the Commission to the Trade and Development Board

Annex V

ATTENDANCE */

1. The following States members of UNCTAD, members of the Commission, were represented at the session:

Algeria
Argentina
Australia
Austria
Azerbaijan
Bahrain
Bangladesh
Belarus
Belgium
Bolivia
Brazil
Bulgaria
Canada
Chile
China
Colombia
Costa Rica
Côte d'Ivoire
Croatia
Cuba
Czech Republic
Denmark
Dominican Republic
Ecuador
Egypt
El Salvador
Equatorial Guinea
Ethiopia
Finland
France
Germany
Guatemala
Haiti
Honduras
India
Indonesia
Iran (Islamic Republic of)
Iraq
Ireland
Italy
Japan
Jordan
Kenya
Latvia
Libyan Arab Jamahiriya
Lithuania
Luxembourg
Madagascar
Malaysia
Malta
Mauritius
Mexico
Morocco
Myanmar
Nepal
Netherlands
Nicaragua
Nigeria
Norway
Pakistan
Panama
Paraguay
Peru
Philippines
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Romania
Russian Federation
Saudi Arabia
South Africa
Spain
Sri Lanka
Sudan
Sweden
Switzerland
Syrian Arab Republic
Thailand
Trinidad and Tobago
Tunisia
Turkey
Uganda
United Arab Emirates
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Uruguay
Venezuela
Viet Nam
Yemen
Zambia

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*/ For the list of participants, see TD/B/COM.1/INF.2

2. The Economic Commission for Europe and the Economic Commission for Latin America and the Caribbean were represented at the session. The International Trade Centre UNCTAD/WTO was also represented at the session.

3. The following specialized agencies and related organization were represented at the session:

Food and Agriculture Organization of the United Nations
International Monetary Fund
United Nations Industrial Development Organization

The World Trade Organization was also represented at the session.

4. The following intergovernmental organizations were represented at the session:

Arab Labour Organization
European Community
Latin American Economic System
League of Arab States
Organization of the Islamic Conference

5. The following non-governmental organizations were represented at the session:

General Category:

Arab Federation for Engineering Industries
International Alliance of Women
International Confederation of Free Trade Unions
World Federation of United Nations Associations

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Printed at United Nations, Geneva
GE.97-52292–December 1997–1,955

United Nations publication